

PERFORMANCE AUDIT
OF
UNDISTRIBUTED AND UNDISTRIBUTABLE
CHILD SUPPORT COLLECTIONS

CHILD SUPPORT PROGRAM
OFFICE OF CHILD SUPPORT
FAMILY INDEPENDENCE AGENCY

September 2002



Michigan Office of the Auditor General REPORT SUMMARY

Performance Audit Undistributed and Undistributable Child Support Collections Child Support Program Office of Child Support Family Independence Agency (FIA)

Report Number:
43-625-02L

Released:
September 2002

County Friend of the Court (FOC) offices are responsible for the distribution of child support collections in Michigan. The small portion of child support collections that FOCs cannot distribute is categorized as undistributed. FOCs periodically review undistributed collections and, if unable to distribute, designate these funds as undistributable. FOCs are required to transfer undistributable collections to the Department of Treasury. FIA reports undistributed and undistributable collections quarterly to the U.S. Department of Health and Human Services (HHS).

Audit Objectives:

1. To assess the effectiveness of the Child Support Program in processing undistributed child support collections and making disbursements to the intended recipients on a timely basis.
2. To assess whether the Child Support Program transferred child support collections that cannot be distributed and disbursed to the Unclaimed Property Division (UPD), Department of Treasury, in accordance with federal and State laws, rules, policies, and procedures.

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Audit Conclusions:

1. We concluded that the Program was generally effective in processing undistributed child support collections and making disbursements to the intended recipients on a timely basis.

2. We concluded that the Program generally did not transfer child support collections that cannot be distributed and disbursed to UPD in accordance with federal and State laws, rules, policies, and procedures.

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Material Condition:

The Program often did not ensure that FOCs transferred undistributable child support collections (abandoned property) to UPD as required by statute (Finding 2).

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Other Conditions:

The Program usually did not earn interest income on child support funds held in the FOCs' bank accounts. Also, the Program did not ensure that FOCs competitively bid their banking agreements to either maximize Program income or reduce Program costs. (Finding 1)

The Program had not established controls to help ensure that FOCs accurately accounted for and/or reported undistributable child support collections transferred to UPD and that the Office of Child Support accurately reported undistributed and undistributable child support collections to HHS and properly credited Program income to HHS (Finding 3).

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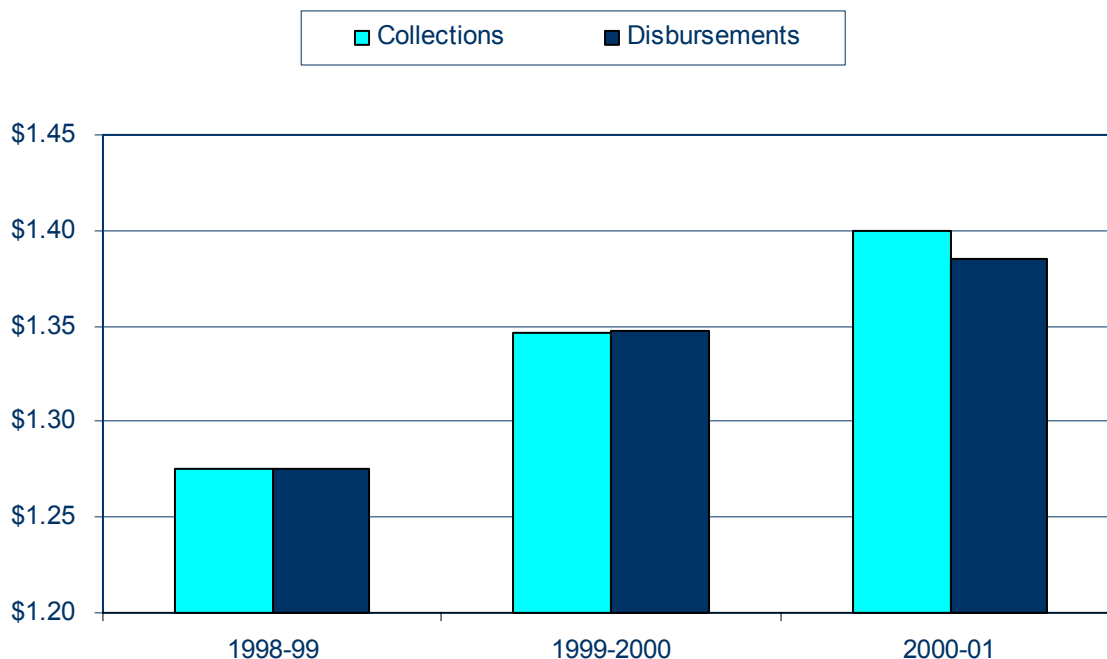
Agency Response:

Our audit report contains 3 findings and 4 corresponding recommendations. FIA's

preliminary response indicated that it substantially agreed with the 4 recommendations. FIA also stated that the timing and extent of corrective actions would depend on the transition of collection and disbursement functions to the Michigan State Disbursement Unit. However, FIA did not provide a time line for the transition and when corrective actions would be implemented.

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Child Support Collections and Disbursements by Fiscal Year
(In Billions)



A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: www.state.mi.us/audgen/



Michigan Office of the Auditor General
201 N. Washington Square
Lansing, Michigan 48913

Thomas H. McTavish, C.P.A.
Auditor General

James S. Neubecker, C.P.A., C.I.A., D.P.A.
Executive Deputy Auditor General

Michael J. Mayhew, C.P.A.
Deputy Auditor General for Audits



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

September 30, 2002

Mr. Douglas E. Howard, Director
Family Independence Agency
Grand Tower
Lansing, Michigan

Dear Mr. Howard:

This is our report on the performance audit of Undistributed and Undistributable Child Support Collections, Child Support Program, Office of Child Support, Family Independence Agency.

This report contains our report summary; description; audit objectives, scope, and methodology and agency responses; comments, findings, recommendations, and agency preliminary responses; undistributed child support collections by circuit court, presented as supplemental information; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

TABLE OF CONTENTS

UNDISTRIBUTED AND UNDISTRIBUTABLE CHILD SUPPORT COLLECTIONS CHILD SUPPORT PROGRAM OFFICE OF CHILD SUPPORT FAMILY INDEPENDENCE AGENCY

	<u>Page</u>
INTRODUCTION	
Report Summary	1
Report Letter	3
Description	6
Audit Objectives, Scope, and Methodology and Agency Responses	9
COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES	
Effectiveness in Processing Undistributed Child Support Collections	11
1. Interest Income and Competitively Bid Banking Agreements	11
Transfer of Unclaimed Child Support Collections to the Department of Treasury	14
2. Undistributable Child Support Collections	14
3. Program Accounting and Reporting	16
SUPPLEMENTAL INFORMATION	
Undistributed Child Support Collections by Circuit Court	20
GLOSSARY	
Glossary of Acronyms and Terms	22

Description

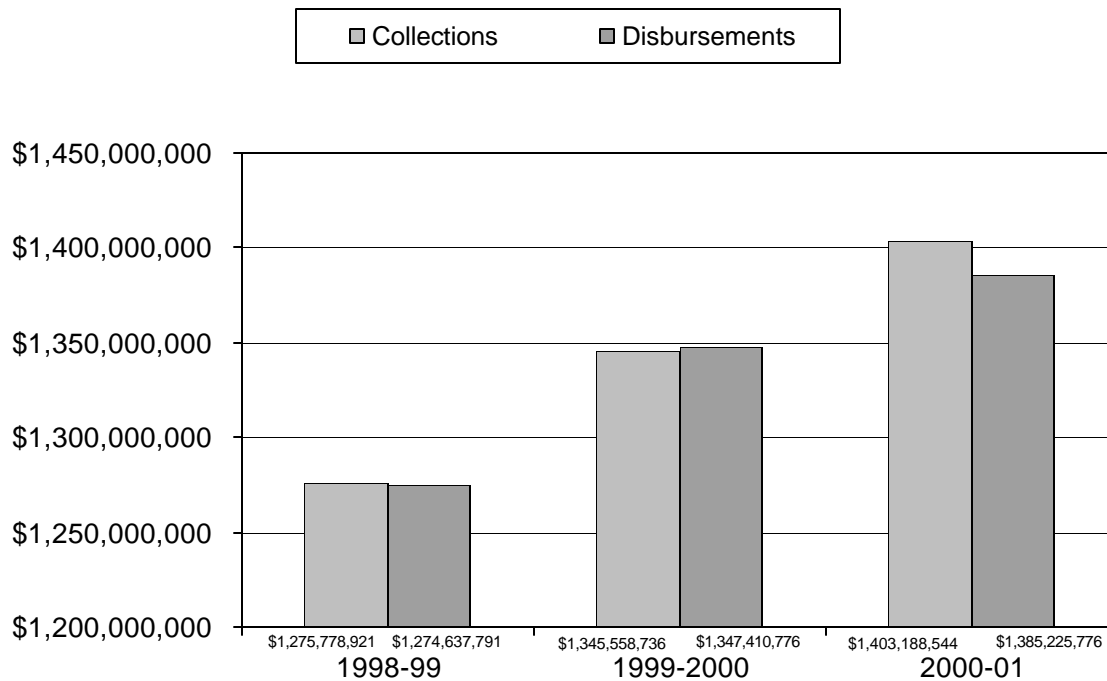
The Office of Child Support Enforcement, U.S. Department of Health and Human Services (HHS), administers the federal Child Support Enforcement Program, which was established in 1975. Title IV-D of the Social Security Act requires that each state have a program to secure child support* from legal parents with the financial ability to pay. The Child Support Program in Michigan operates through the cooperative efforts of the Office of Child Support* (OCS), Family Independence Agency; county prosecuting attorney offices; and county Friend of the Court (FOC) offices. OCS is the State agency responsible for administering the Program.

County prosecuting attorneys in 82 of the 83 counties and the Wayne County FOC, under a contractual agreement with the Family Independence Agency, establish paternity and obtain court orders for child support. The Michigan State Disbursement Unit* collects and forwards to FOCs child support payments withheld under income withholding orders. County FOC offices, which are the operational arm of the circuit courts, are responsible for the enforcement of child support orders, the collection of child support payments from all other sources, and the distribution* and disbursement* of child support collections in Michigan. The State Court Administrative Office, under the supervision of the Supreme Court, is responsible for developing and recommending guidelines for the conduct, operations, and procedures for 65 FOC offices, which provide services to the 57 circuit courts in Michigan.

* See glossary at end of report for definition.

Total child support collections and disbursements for the three fiscal years ended September 30, 1999, 2000, and 2001 were:

Child Support Collections and Disbursements by Fiscal Year



FOCs cannot distribute or disburse, for various reasons, a small portion of child support payments that have been collected. These funds are categorized as undistributed child support collections*. The Program reported the following undistributed child support collections as of September 30, 1999, 2000, and 2001:

As of September 30	Undistributed Child Support Collections	Undistributed Collections as a Percentage of Total Collections
1999	\$28,818,050	2.26%
2000	\$26,663,060	1.98%
2001	\$44,162,706	3.15%

Undistributed child support collections can include funds that the FOCs are holding pursuant to a court order, funds held pending an investigation, and funds that just

* See glossary at end of report for definition.

arrived at the FOC that have not yet been distributed. The State Court Administrative Office reported that a majority of undistributed child support collections held at any point in time are funds that will be distributed and disbursed to the appropriate payees*.

FOCs classify undistributed child support collections into several categories, including checks held*, held receipts*, held suspense*, and suspense*. FOCs periodically review undistributed collections in an effort to determine the correct payer* or payee, to obtain correct addresses for missing payees, and to resolve disputes between the parties in an effort to distribute and disburse these held collections.

Also, if repeated attempts to distribute and disburse undistributed child support collections are not successful, federal program instructions require the FOCs to designate these child support collections as undistributable child support collections*. The most common form of undistributable child support collections is stale-dated checks*. Statewide, the Program does not report the amount of stale-dated checks.

In addition, Section 567.234 of the *Michigan Compiled Laws* (Section 14 of the Uniform Unclaimed Property Act) defines funds held by a court that remain unclaimed for more than one year after becoming payable or distributable as abandoned property. FOCs are required to transfer abandoned property to the Unclaimed Property Division (UPD), Department of Treasury. Prior to declaring a child support payment as abandoned property, FOCs must conduct a due diligence* search for collections with a value of \$50 or more. The rightful owner can claim child support collections transferred to UPD at any time.

OCS is required to report quarterly to HHS undistributed child support collections and any undistributable child support collections that FOCs transfer to UPD. HHS considers these transfers to be program income, which reduces the Program's reimbursable costs. Also, HHS retains 66% of this income, which requires OCS to file a daim for federal reimbursement if any abandoned child support payments subsequently are made to the rightful owners.

* See glossary at end of report for definition.

Audit Objectives, Scope, and Methodology and Agency Responses

Audit Objectives

Our performance audit* of Undistributed and Undistributable Child Support Collections, Child Support Program, Office of Child Support, Family Independence Agency (FIA), had the following objectives:

1. To assess the effectiveness of the Child Support Program in processing undistributed child support collections and making disbursements to the intended recipients on a timely basis.
2. To assess whether the Child Support Program transferred child support collections that cannot be distributed and disbursed to the Unclaimed Property Division (UPD), Department of Treasury, in accordance with federal and State laws, rules, policies, and procedures.

Audit Scope

Our audit scope was to examine the program and other records of the Child Support Program relating to undistributed and undistributable child support collections. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

We prepared a schedule of undistributed child support collections by circuit court, which is presented as supplemental information. Our audit was not directed toward expressing an opinion on this information and, accordingly, we express no opinion on it.

Audit Methodology

Our audit procedures, performed from November 2001 through June 2002, included an examination of FIA and selected Friend of the Court (FOC) records primarily for the period October 1, 1998 through March 31, 2002.

* See glossary at end of report for definition.

We conducted a preliminary survey to obtain an understanding of the processes that FIA and FOCs used to distribute and disburse child support and the processes that FOCs used to account for undistributed and undistributable child support collections. We interviewed various FIA, FOC and UPD staff and reviewed pertinent federal and State laws, rules, policies, and procedures.

We surveyed selected FOCs to obtain detailed information on undistributed and undistributable child support collections and the FOCs' banking arrangements. We examined FOCs' use of interest bearing bank accounts and competitive bidding for procuring banking agreements.

We determined the process that the FOCs used to transfer undistributable child support collections to UPD. Also, we examined FIA's process developed to account for undistributable child support collections that FOCs transfer to UPD.

We visited two FOC offices to review selected fiscal issues regarding undistributed and undistributable child support collections. In addition, we assessed their controls related to the accounting for and reporting of undistributable child support collections transferred to UPD.

Agency Responses

Our audit report contains 3 findings and 4 corresponding recommendations. FIA's preliminary response indicated that it substantially agreed with the 4 recommendations. FIA also stated that the timing and extent of corrective actions would depend on the transition of collection and disbursement functions to the Michigan State Disbursement Unit. However, FIA did not provide a time line for the transition and when corrective actions would be implemented.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require FIA to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS IN PROCESSING UNDISTRIBUTED CHILD SUPPORT COLLECTIONS

COMMENT

Audit Objective: To assess the effectiveness of the Child Support Program in processing undistributed child support collections and making disbursements to the intended recipients on a timely basis.

Conclusion: We concluded that the Program was generally effective in processing undistributed child support collections and making disbursements to the intended recipients on a timely basis. However, we noted a reportable condition* pertaining to interest income and competitively bid banking agreements (Finding 1).

FINDING

1. Interest Income and Competitively Bid Banking Agreements

The Program usually did not earn interest income on child support collections held in the Friend of the Courts' (FOCs') bank accounts. Also, the Program did not ensure that FOCs competitively bid their banking agreements to either maximize Program income or reduce Program costs.

FOCs cannot immediately distribute certain child support collections and may not be able to distribute some other collections in a timely manner. As a result, child support collections accumulate in FOCs' bank accounts and may exceed \$1.0 million for larger FOCs.

* See glossary at end of report for definition.

We surveyed the 14 FOCs that had the largest caseloads and collected the largest amounts of child support to obtain information regarding their bank account balances and their banking agreements. Our survey disclosed:

- a. Thirteen (93%) of the 14 FOCs did not deposit their child support collections in interest bearing accounts and, therefore, did not earn interest on deposited collections. Also, the FOC that had an interest bearing account, for the period June through December 2001, transferred the collections back into its non-interest bearing account on the advice of the State Court Administrative Office (SCAO).

Federal Office of Child Support Enforcement Information Memorandum 89-05, dated September 27, 1989, encourages the deposit of child support collections in interest bearing accounts. The memorandum states that although the use of an interest bearing account is not mandatory, there are very few situations in which alternative arrangements can be justified. The memorandum also states that interest earned should be used to reduce program costs. In addition, effective November 3, 1999, Section 400.238(2) of the *Michigan Compiled Laws* allows the Program to earn interest on child support payments processed through the Michigan State Disbursement Unit (MiSDU) and requires that the interest income be used to offset MiSDU's operating expenses. However, the SCAO stated that, based on a common law* principle within case law* in *Grand Rapids Public Schools v City of Grand Rapids* 146 Mich App 652 (1985), FOCs should deposit child support collections in non-interest bearing accounts. This is because if interest is earned, it must be credited to individual child support cases. Such distributions may not be administratively feasible.

- b. Nine (64%) of 14 FOCs did not competitively bid their banking agreements.

Neither the Office of Child Support (OCS) nor the SCAO required FOCs to competitively bid their banking agreements to either maximize Program income or reduce Program costs. However, FOC responses to our survey

* See glossary at end of report for definition.

disclosed that 6 FOCs had negotiated a full waiver of their banking fees, 7 had negotiated a partial waiver of their banking fees, and 1 did not negotiate a banking fee waiver.

Depositing child support collections in interest bearing accounts and/or competitively bidding banking agreements are sound business practices. We estimate that for the two-year period ended December 31, 2001, based on the State Treasurer's Common Cash rate of return, the 14 FOCs surveyed could have earned approximately \$6.3 million in interest income. Also, although Program costs were reduced through bank fee waivers, the FOCs should competitively bid their banking agreements in order to make a more informed decision in an effort to either maximize Program income or reduce Program costs. In addition, until MiSDU becomes fully functional (approximately six months after federal certification of the State's Child Support Enforcement System [CSES]), FOCs' banking practices will not maximize benefit to the Program.

RECOMMENDATIONS

We recommend that the Program request legislation to forgo interest distributions to individual child support cases and advise FOCs to deposit child support collections in interest bearing accounts.

We also recommend that the Program ensure that FOCs competitively bid their banking agreements to either maximize Program income or reduce Program costs.

AGENCY PRELIMINARY RESPONSE

The Program agreed that FOCs should be advised to deposit child support collections in interest bearing accounts. However, the Program did not agree that a legislative request to forgo interest distributions to individual child support cases should be made at this time. The Program is beginning the transition to MiSDU for the collection and disbursement functions, meaning that collections will no longer be transferred to FOCs for distribution. Legislation for interest income at MiSDU is already in existence.

The Program agreed that banking agreements should be competitively bid or some cost-benefit analysis should be conducted and documented to ensure that the Program receives the best benefits. Based on the facts presented in the finding, it appears that while 9 of the 14 FOCs surveyed did not competitively bid their

banking agreements, 13 of the 14 negotiated some waiver of banking fees with their banks.

TRANSFER OF UNCLAIMED CHILD SUPPORT COLLECTIONS TO THE DEPARTMENT OF TREASURY

COMMENT

Audit Objective: To assess whether the Child Support Program transferred child support collections that cannot be distributed and disbursed to the Unclaimed Property Division (UPD), Department of Treasury, in accordance with federal and State laws, rules, policies, and procedures.

Conclusion: We concluded that the Program generally did not transfer child support collections that cannot be distributed and disbursed to UPD in accordance with federal and State laws, rules, policies, and procedures. Our assessment disclosed one material condition*. The Program often did not ensure that FOCs transferred undistributable child support collections (abandoned property) to UPD as required by statute (Finding 2). Our assessment also disclosed a reportable condition related to Program accounting and reporting (Finding 3).

FINDING

2. Undistributable Child Support Collections

The Program often did not ensure that FOCs transferred undistributable child support collections (abandoned property) to UPD as required by statute.

Section 567.234 of the *Michigan Compiled Laws* (Section 14 of the Uniform Unclaimed Property Act) defines property that is held for an owner by a court, State, or other government agency for more than one year after becoming payable or distributable as abandoned property. Section 567.238 of the *Michigan Compiled Laws* (Section 18 of the Act) requires that government agencies, including courts, holding abandoned property file a report and transfer the property to UPD on or before November 1 of each year for the 12-month period ending on the

* See glossary at end of report for definition.

immediately preceding June 30. To help ensure compliance with the statute, the SCAO provided instructions and guidance to FOCs regarding the transfer of undistributable child support collections to UPD.

Our survey of the 14 FOCs that have the largest caseloads and collect the largest amount of child support disclosed that 7 FOCs did not transfer undistributable child support collections to UPD in accordance with the Act during the five-year period ended December 31, 2001. Two of the 7 FOCs did not make transfers to UPD, and 5 FOCs reported making three or fewer transfers during the five-year period. Also, 5 of the 14 FOCs reported that their policy did not require an annual transfer of undistributable child support collections to UPD.

OCS is required to report undistributable child support collections transferred to UPD to the U.S. Department of Health and Human Services (HHS) as program income, which reduces the Program's reimbursable costs. The Program's failure to ensure that FOCs make the transfers results in Program income being understated and reimbursable costs being overstated. Also, HHS retains 66% of this income, which requires OCS to claim federal reimbursement if UPD makes payments to the rightful owners for abandoned child support payments (see Finding 3.a.)

RECOMMENDATION

We recommend that the Program ensure that FOCs transfer undistributable child support collections to UPD as required by statute.

AGENCY PRELIMINARY RESPONSE

The Program agreed that FOCs should transfer undistributable child support collections to UPD as required by statute. The Program would like to point out that although FOCs are required to make a yearly review of the collections on hand, it may not always be necessary to make a transfer to UPD because a transfer is made only if collections have been held for more than one year.

As the disbursing function is transferred to MiSDU, all FOCs will analyze the undistributable collections on hand and make the necessary transfers to UPD.

FINDING

3. Program Accounting and Reporting

The Program had not established controls to help ensure that FOCs accurately accounted for and/or reported undistributable child support collections transferred to UPD and that OCS accurately reported undistributed and undistributable child support collections to HHS and properly credited Program income to HHS.

Our survey of the 14 FOCs that have the largest caseloads and collect the largest amount of child support and on-site visits to 2 FOCs disclosed:

- a. FOCs frequently did not use proper reporting codes when transferring undistributable child support collections to UPD.

In November 1999, UPD established a unique child support code (CT-06) that FOCs are to use to allow UPD to identify and account for transfers of undistributable child support collections and subsequent claims paid to rightful owners. In fiscal years 2000-01 and 2001-02 (through March 31, 2002), 7 (70%) of 10 and 2 (22%) of 9 FOCs did not properly code approximately \$616,200 and \$7,200, respectively, in undistributable child support collections transferred to UPD. These FOC reporting errors understated the amount that had been reported as transferred for the period October 1, 2000 through March 31, 2002 by approximately 41%. Also, if UPD makes future payments to rightful owners, the Program would not receive 66% federal reimbursement.

- b. Two FOCs did not record approximately \$1.5 million in certain undistributable child support collections (stale-dated checks) on CSES as of March 31, 2002. Also, another FOC did not record approximately \$7.5 million in child support collections on CSES as of March 31, 2002.

When FOCs transfer any portion of the \$9.0 million to UPD, the CSES omissions will result in Program income credited to HHS being understated and a liability to HHS not being established because the Program relies on CSES to identify transfers to UPD for federal reporting purposes.

- c. The Program overstated by approximately \$25.1 million the reported undistributed child support collections for an FOC.

The Program is required to report (federal OCSE-34A report) the amount of undistributed child support collections on a quarterly basis to HHS. As of March 31, 2002, the Program incorrectly reported that approximately \$25.1 million in child support that noncustodial parents* paid directly to custodial parents* had not been distributed. As a result, the amount of undistributed collections reported on HHS's web site (which users of the web site may use as an indicator of Program effectiveness) will be overstated approximately 72%. Also, OCS's correction of the error for the quarter ended June 30, 2002 will result in a \$25.1 million understatement of the amount of undistributed collections reported on HHS's web site.

- d. The Program frequently did not record Program income for undistributable child support collections transferred to UPD and report this income to HHS.

OCS did not record Program income of approximately \$211,300 for 6 (60%) of 10 and \$649,600 for 6 (67%) of 9 FOCs that reported transfers of undistributable child support collections to UPD in fiscal years 2000-01 and 2001-02 (through March 31, 2002), respectively. As a result, when OCS records this income of approximately \$860,900, the State will owe HHS approximately \$568,200.

The Program had not established controls that would have identified and corrected these exceptions in the normal course of operations.

RECOMMENDATION

We recommend that the Program establish controls to help ensure that FOCs accurately account for and/or report undistributable child support collections transferred to UPD and that OCS accurately reports undistributed and undistributable child support collections to HHS and properly credits Program income to HHS.

AGENCY PRELIMINARY RESPONSE

The Program agreed that FOCs should accurately account for and/or report undistributed and undistributable child support collections to UPD so the activity

* See glossary at end of report for definition.

can be accurately reported to the federal funding source. As the disbursing function is transferred to MiSDU, the Program believes this deficiency will be corrected.

The Program is working with FOCs on the deficiencies noted in the finding to ensure that the appropriate adjustments are made and the undistributable collections are accurately accounted for.

SUPPLEMENTAL INFORMATION

UNAUDITED

UNDISTRIBUTED AND UNDISTRIBUTABLE CHILD SUPPORT COLLECTIONS
 Child Support Program, Office of Child Support, Family Independence Agency
 Undistributed Child Support Collections by Circuit Court
As of March 31, 2002

Circuit Court	Counties	Undistributed Collections
1	Hillsdale	\$ 113,358
2	Berrien	242,433
3	Wayne *	39,908,076
4	Jackson	476,303
5	Barry	56,087
6	Oakland	4,062,048
7	Genesee	3,459,543
8	Ionia/Montcalm	88,827
9	Kalamazoo	689,712
10	Saginaw	835,747
11	Alger/Luce/Schoolcraft	22,001
12	Baraga/Houghton/Keweenaw	13,955
13	Antrim/Leelanau/Grand Traverse	642,216
14	Muskegon	139,073
15	Branch	109,677
16	Macomb	3,506,904
17	Kent	3,289,872
18	Bay	98,088
19	Benzie/Manistee	6,331
20	Ottawa	325,621
21	Isabella	97,056
22	Washtenaw	650,082
23	Iosco/Oscoda	109,906
24	Sanilac	12,117
25	Marquette	17,899
26	Alcona/Alpena/Montmorency/Presque Isle	24,513
27	Newaygo/Oceana	63,408
28	Missaukee/Wexford	61,674
29	Clinton/Gratiot	106,264
30	Ingham	321,674
31	St. Clair	283,679
32	Gogebic/Ontonagon	(312)
33	Charlevoix	57,785
34	Arenac/Ogemaw/Roscommon	30,017
35	Shiawassee	6,507
36	Van Buren	43,879
37	Calhoun	525,185
38	Monroe	153,950
39	Lenawee	160,734
40	Lapeer	97,329
41	Dickinson/Iron/Menominee	26,875
42	Midland	162,795
43	Cass	100,994
44	Livingston	326,120
45	St. Joseph	33,661

Circuit Court	Counties	Undistributed Collections
46	Crawford/Kalkaska/Otsego	50,659
47	Delta	41,301
48	Allegan	207,474
49	Mecosta/Osceola	33,130
50	Chippewa/Mackinac	26,030
51	Lake/Mason	37,720
52	Huron	4,771
53	Cheboygan	20,218
54	Tuscola	49,941
55	Clare/Gladwin	54,560
56	Eaton	130,551
57	Emmet	148,963
	Statewide adjustments**	(2,614,477)
	Total*	\$ 59,750,499

This exhibit contains program and financial information presented as supplemental information. This exhibit is intended to provide the report reader with background information and a frame of reference for the amount of undistributed child support collections that FIA reported on the federal OCSE-34A report as of March 31, 2002.

* As noted in Finding 3, the Program erroneously overreported the Wayne County undistributed collections by \$25,067,234. The reported undistributed collections for Wayne County and the State should be \$14,840,841 and \$34,683,266, respectively.

** The Office of Child Support made adjustments because of Program estimates or errors in posting transactions to the Child Support Enforcement System.

Glossary of Acronyms and Terms

case law	Law established by previous judicial decisions.
checks held	Undistributed child support collections resulting from inaccurate addresses for custodial parents. The FOCs hold a returned child support check until an accurate address can be found for the custodial parent.
child support	Financial support paid by a parent to help support a child or children whom the parent does not have custody of. Child support can be entered into voluntarily or by court order.
common law	A body of law that developed over time from custom and common practice and later was upheld by the courts.
CSES	Child Support Enforcement System.
custodial parent	The parent who has primary care, custody, or control of the child.
disbursement	The process of paying out collected and distributed child support collections to the appropriate party.
distribution	The allocation of child support collected to the various types of debt within a child support case. For example, child support can be distributed to current monthly support obligations, arrears, medical support, and day care. Child support can also be distributed to the State under an assignment of support rights, which results in the State and federal governments using the child support payment to defray or recoup public assistance expenditures.
due diligence	The effort required by statute that a holder of abandoned property must use to find the true owner of the property before the holder reports the property to the State.

FIA	Family Independence Agency.
FOC	Friend of the Court.
held receipts	Undistributed child support collections that the FOCs hold until a specific release date or a specific action has occurred. Reasons to hold these collections include restrictions on processing confiscated tax refunds, unknown payers, court order stipulation, etc.
held suspense	Undistributed child support collections that have been distributed to an account, but the FOCs hold pending modification of a court order or resolution of a dispute.
HHS	U.S. Department of Health and Human Services.
material condition	A reportable condition that could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.
Michigan State Disbursement Unit (MiSDU)	The single site designated in Michigan where all child support payments will be processed. All withheld child support payments will be sent to this central location for distribution and disbursement.
noncustodial parent	The parent who does not have primary care, custody, or control of the child.
Office of Child Support (OCS)	The designated Title IV-D child support agency in the State of Michigan.
payee	The person or organization in whose name child support money is paid.

payer	The person who makes a payment, usually a noncustodial parent or someone acting on the parent's behalf.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
reportable condition	A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.
SCAO	State Court Administrative Office.
stale-dated check	A check that has not been presented to an FOC's bank for payment. In accordance with the Uniform Unclaimed Property Act, stale-dated checks are considered a form of abandoned property that should be transferred to the Department of Treasury one year after becoming payable or distributable.
suspense	Undistributed child support collections comprised of overpayments by noncustodial parents that must be refunded. Examples of overpayments include payments recorded in the Child Support Enforcement System before the actual charge is recorded, payments distributed to the wrong court order number, and tax offset receipts released to a paid-in-full account.
undistributable child support collections	The portion of child support collections that, despite numerous attempts, cannot be distributed in accordance with Section 457 of the federal Social Security Act. These amounts, which can include stale-dated checks and money

not identified as belonging to a specific person or case (e.g., checks sent from an unidentified person or a case without sufficient information to allow distribution), are abandoned property and must be reported to the federal Office of Child Support Enforcement as program income.

**undistributed child
support collections**

Child support collections that the State is currently unable to distribute but remain available for distribution in the future. Payments can be held for various reasons, including pending modification of a court order, pending resolution of a dispute between parents, overpayments, confiscated tax refunds held for the required holding period, and holds placed on an account because of an inaccurate address.

UPD

Unclaimed Property Division.